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# March 3rd week Newsletter

## Weekly E-Bulletin

Indian Institute of Export Management

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## PALM OIL FUTURES FALL, TEST SUPPORT LEVELS

Malaysian palm oil futures ended sharply lower to reach their weakest level in more than four months, tracking declining fundamentals.CPO active-month May futures tanked lower after failing to sustain higher.There are certain important targets that the market will be inclined to test on the upside right now, but it is still not clear if it can hold on to gains and sustain higher.A break below 2,820 MYR/tonne on the active third-month contract triggered a wave of selling again in CPO futures.Critical support is at 2,685-95 and failure to hold here could drag prices lower to the next important support, at around 2,490-2,510. This happens to be a long-term rising trend line support level. Once, it finds an intermediate bottom in the above-mentioned range, ideally prices could pull back towards resistances in the 2,895-2,900 zone again.While it looks like the short to medium-term has turned bearish, the bigger picture still favours bullishness ahead.The big picture still indicates neutral tendencies and a chance of a revival in the bullish trend from critical support points.

**B/L-13/03/2017**

## SMALL CARDAMOM GAINS AROMA

Small cardamom prices gained last week on good buying amid a squeeze in supply at auctions held in Kerala and Tamil Nadu.Upcountry dealers as well as exporters were covering as it has become clear that no arrival of fresh cardamom will take place till the next season picking begins, by mid-June.This sentiment has prompted all stakeholders to become active in the market. Consequently, prices moved up by Rs. 20-30 a kg last week, PC Punoose, General Manager, Cardamom Processing Marketing Company, told Business Line .Quality of the capsules arriving were not up to the mark and there was a shrinkage in supply, said Ranganathan, a major Bodi dealer.Arrivals last week stood at 295 tonnes as against 390 tonnes the previous week. The auction average moved up, vacillating between Rs. 1,192 and Rs. 1,280 a kg.

**B/L-14/03/2017**

## AGRI TECHNOLOGY EXHIBITION OPENS TODAY IN DELHI

The Indian Agriculture Research Institute has invited participation from thousands of research institutes, public sector unit and farmer development bodies to display the latest available technologies, products and services in agriculture at its 'Krishi Unnati Mela', starting Wednesday.The annual event is organised to expose farmers to the latest technologies available and also take their feedback for future research.The three-day event will focus on digitisation in agriculture, organic farming, agribusiness models, precision farming, skill building and entrepreneurship development, live demonstrations on production technologies of crops, horticulture, and protected cultivation.Farmers' visits to experimental fields of IARI will also be organised, the release said."Water use, efficient technology, micro-irrigation and sensor based irrigation system, recycling of waste water for agriculture, display and sale of various products (farm equipment, quality planting materials, bio-fertilisers, agro-chemicals, innovative farmers' products) and machinery and on-spot soil and water testing will also take place," the release added.

**B/L-15/03/2017**

## CHILLI PRICE CRASH LEAVES AP FARMERS SMARTING

It is a summer of discontent for chilli farmers in Andhra Pradesh. There has been a drastic fall in the prices of different varieties of red chilli this year at the local agricultural market yard, said to be the largest chilli market in Andhra Pradesh and the country. Consequently farmers, the small ones in particular, are in great distress.The fall in prices in comparison with last year has been in the range of Rs. 3,000-5,000 a quintal for different varieties. It is particularly galling for farmers as last year was a good year for chilli cultivation and there has been a 25-30 per cent increase in the cropped area in anticipation of good prices. **B/L-16/03/2017**

## CRUDE OIL LIKELY TO REMAIN UNDER PRESSURE

Crude oil prices slumped 9 per cent last week. US oil supply increased by 8.2 million barrels to reach record highs last week. This came as a trigger to break a three-month sideways consolidation phase downwards in oil prices.The Crude Oil futures contract traded on the New York Mercantile Exchange (NYMEX) fell from around $53 per barrel to $48.5 per barrel last week. The contract continues to trade lower.On the domestic front, the crude oil futures contract on the Multi Commodity Exchange (MCX) also plummeted 9 per cent from **Rs.** 3,556 per barrel to **Rs.** 3,229 per barrel last week. The oil prices may continue to trade under pressure as there is room for a further fall. **B/L-17/03/2017**

## CONSULT INDUSTRY IN FRAMING CONTRACT FARMING LAW'

Union Budget 2017-18 has said that a model law on contract farming would be circulated among States with a view to help farmers realise better value for their produce. In this context,BusinessLine spoke to Muhammed Majeed, Founder and Chairman, Sami Labs, a maker of nutraceuticals, cosmeceuticals and probiotics, and a contract farming player. Excerpts **B/L-17/03/2017**

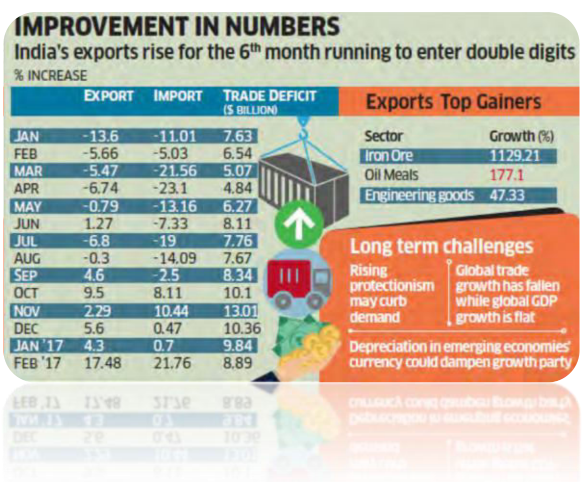
## COTTON PRICES HOLD STEADY ON STRONG EXPORT DEMAND

Even as the cotton trade body maintains a higher crop size of 34.1 million bales (each of 170 kg) than last year's 33.8 million bales, prices are unlikely to cool off in the near future, said traders and stakeholders.With an opening stock of about 4.5 million bales at the beginning of the 2016-17 season, the Cotton Association of India (CAI) has projected a total demand of 29.5 million bales for the year, against 38.2 million bales last year. CAI's estimates put available the surplus at 11.2 million bales.However, looking at the trends in cotton arrivals at mandis, as much as 70 per cent of the crop is believed to have already hit the market. Traders put total arrivals so far at 24.4 million bales. **B/L-18/03/2017**


## EXPORTS CLIMB FOR A SIXTH STRAIGHT MONTH

India's goods exports rose for a sixth consecutive month in February even as the trade deficit widened due to a jump in the value of imports of gold and oil. Exports, which grew 17.5% year-on-year to $24.5 billion, increased due to higher shipments of engineering goods and petroleum products among others, according to data released by the Commerce Ministry. Imports went up 21.76% to $33.4 billion during the month owing to a surge in gold and oil imports. This led to the trade deficit widening to $8.9 billion last month, from $6.5 billion in February 2016. However, the trade shortfall was narrower than the $9.84 billion posted in January 2017. Shipments of engineering goods shot up 47.3% to $6.6 billion, while petroleum products' exports jumped 27.6% to $2.46 billion. Readymade garments rose 5% to $1.6 billion, while chemicals increased 11.3% to $1.3 billion and gems & jewellery shipments went up 2.3% to $4 billion. Drugs & pharmaceuticals exports, however, shrank 4.1% to $1.2 billion. Non-petroleum and non-gems & jewellery exports in February rose 20.1% to $18 billion. President of the country's apex body for exporters, Federation of Indian Export Organisations (FIEO), said continuous growth in exports for the last six months was due to the commitment of the exporting community to deliver even during such challenging times of global trade slowdown that has affected exports of many countries including China. FIEO Chief pointed out that 23 out of 30 major export items recorded positive growth in February, adding that going by the current trend, India's goods exports for 2016-17 could touch about $270 billion. However, due to the prevailing uncertainty in global trade, exporters should further diversify the product basket with more focus on high–tech items where India's share in global trade is low, FIEO said. Gold imports in February surged 147.6% to $3.48

billion, and pearls & precious stones imports increased 9% to \$2.2 billion. Oil imports jumped 60% to \$7.68 billion. Incidentally, the global Brent prices (\$/bbl) and Gold (\$/troy oz) increased by 67.14% and 2.89% respectively in February 2017 vis-à-vis February 2016 as per World Bank commodity price data. Non-oil imports during February were up 13.65% to \$25.7 billion. Coal imports went up 33% to \$1.6 billion, while chemicals imports rose 22.5% to \$1.4 billion. Electronic goods imports rose 12.2% to \$3.4 billion. Machinery imports contracted 29% to \$2.3 billion. Exports during April-February 2016-17 went up by 2.5% to \$245.4 billion. Non-petroleum and non-gems & jewellery exports during AprilFebruary 2016-17 rose 2.2% to \$ 179.1 billion.

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## GOVERNMENT LAUNCHES RS 600 CRORE SCHEME FOR DEVELOPING EXPORT INFRASTRUCTURE

The government launched a Rs 600-crore scheme - TIES - for developing export linked infrastructure in states with a view to promoting outbound shipments. Launched by Commerce and Industry Minister, the Trade Infrastructure for Export Scheme (TIES) seeks to bridge the infrastructure gap and provide forward and backward linkages to units engaged in trade activities. The scheme, to be implemented from April 1, would have a budgetary allocation of Rs 600 crore for three years with an annual outlay of Rs 200 crore. Five per cent of the grant approved would be used for appraisal, review and monitoring. It will be implemented from 2017-18 till 2019-20. "It is going to be on participative basis and the focus is not just to create infrastructure and leave it, but make sure that it is professionally run and sustained," Commerce Minister said. An inter-ministerial empowered committee for sanctioning and monitoring of the project was set up for the scheme. It will be headed by the commerce secretary. "Ministry is definitely asking for a clear definition and linkage with export industries (for the projects)," Commerce Secretary added. Commerce Secretary said some of the biggest cost, the exporters tend to incur is on account of absence of dedicated infrastructure, whether it is testing or handling facilities or cold storages at ports. The TIES would focus on projects like customs checkpoints, last mile connectivity, border haats and integrated check posts. "The idea of this scheme is to address those gaps in infrastructure which are not addressed by any other scheme. It will help to ensure smoother movement of export cargo and also ensure quality standards and certification," it added. Unlike Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE) Scheme, which was funded by the Centre, the cost of projects under TIES would be equally shared between the Centre and the states. However, for north-eastern and the Himalayan region states, the Centre may bear 80 per cent of the cost. Under the scheme, priority would be given to the projects involving significant contribution by the implementing agency and bank financing for achieving financial closure. The other salient features of the scheme includes promotion of leveraging of funds from other sources including bank financing; no recurring costs of the land to be included; and operating & maintenance costs to be met through pay and use charges. The central and state agencies, including Export Promotion Councils, Commodities Boards, SEZ authorities and apex trade bodies recognised under the EXIM policy of government; are eligible for financial support under this scheme.

**~FIEO**

## TIES WILL HELP REDUCE EXPORTERS' TRANSACTION COST – PRESIDENT, FIEO

President, Federation of Indian Export Organizations (FIEO) has welcomed launch of Trade Infrastructure for Export Scheme (TIES) by Hon'ble Commerce and Industry Minister. Welcoming the initiative as also announced in the Budget, FIEO Chief said that the Indian exporters face huge challenges in terms of infrastructure, particularly in states. Trade infrastructure is one of the critical elements in export trade to enhance efficiency and competitiveness in global market. FIEO President mentioned that inadequate infrastructure pushes exporters transaction cost, impacting competitiveness of Indian goods in the global market. The logistics cost in India is one of the highest in the world, he added. FIEO Chief stated that the new scheme 'TIES', will help create modern infrastructure like last mile connectivity to ports, besides testing labs and certification centers. The Scheme will help in moderninising infrastructure in states for exporters besides addressing various other challenges and export bottlenecks. **~FIEO**

## NO PROGRESS ON AGREED TRADE ROAD MAP OF INDIA, PAK: COMMERCE MINISTER

India and Pakistan have not held any bilateral trade meeting since 2014 and there is no progress on the agreed road map, the government informed Parliament. The commerce ministers of India and Pakistan had met in January 2014 on the sidelines of the 5th SAARC Business Leaders Conclave. At that meeting, both the ministers reaffirmed the commitment to expeditiously establish normal trading relations and provide NonDiscriminatory Market Access (NDMA) on a reciprocal basis in this context. "No bilateral trade meeting between India and Pakistan has taken place since then, and there is no progress on the agreed road map," Commerce and Industry Minister said in a written reply to the Rajya Sabha. Both the sides have also decided to intensify and accelerate the process of trade normalisation, liberalisation and facilitation. Minister also said Pakistan is yet to transition fully to the Most Favoured Nation (MFN) status for India. It maintains a negative list of 1,209 products which are not allowed to be imported from India. In addition, Pakistan also permits only 137 products to be imported from India through Wagah-Attari border land route. The bilateral trade between the countries stood at USD 2.61 billion in 2015-16 compared to USD 2.35 billion in the previous fiscal. **~FIEO**

## CABINET OKAYS REVISED PACT WITH BANGLADESH TO SET UP BORDER HAATS

"The Union Cabinet, chaired by the Prime Minister has given its approval to the Revised Memorandum of Understanding (MoU) and Mode of Operation (MoO) between India and Bangladesh for establishing Border Haats on India-Bangladesh border," an official statement said. According to the statement, border haats aim at promoting the well-being of the people dwelling in remote areas across the borders of two countries by promoting traditional system of marketing the local produce through local markets. These measures help improve economic well-being of marginalised sections of society, it added. Currently, four border haats are operational, two each in Meghalaya and Tripura. These were established and operationalised under the MoU and Mode of Operation of Border Haats signed between Bangladesh and India on October 23, 2010. Subsequently, an Addendum to Mode of operation of Border Haats was also signed on May 15, 2012. The Revised MoU and Mode of Operation will provide a legal framework for establishment and operationalisation of additional border haats, it added. **~FIEO**

## COMMONWEALTH MINISTERS COMMIT TO BOOSTING TRADE

A two-day Commonwealth trade summit concluded, as ministers from across the bloc committed to boosting intra-Commonwealth trade, in the face of the growing clamour for protectionism globally. India announced a trade summit amongst Commonwealth SMEs in May this year. The meeting of SMEs (small and medium enterprises) from across the Commonwealth, an initiative of the Commonwealth Secretariat, and the Ministry of Commerce, will take place in New Delhi, Commonwealth Secretary said delegates at the trade ministers' meeting. The two-day meeting brought businesses and politicians from around 35 Commonwealth member-states together and is the first meeting of trade ministers from across the region in the past 12 years. "This was an incredibly important moment for us with all regions across the Commonwealth being represented. There is huge agreement across the board between national states about what we need to do to advance economies…but also what we need to do to advance trade, which is globally at its lowest level since the Second World War," said Baroness Scotland, Secretary General of the Commonwealth. "There is a huge opportunity because we represent about 2.4 billion people." One of the ideas being considered is that of a Commonwealth ambassador, who would be commissioned to identify tangible ways in which intra-Commonwealth trade could be promoted, as part of efforts to raise it to around $1 trillion. The role would lie within the Commonwealth Enterprise and Investment Council who also hopes that a "Commonwealth Accord" is achievable: a standard of rules, based on the shared experiences, rules and regulations in member-states, that could be subscribed to, which, he said, would give greater certainty and help SMEs looking to enter new markets in particular. The trade meeting has gained increased significance, as Britain looks to increase its trading links beyond the EU, while India has also given the Commonwealth renewed focus. "India has been incredibly supportive, in particular, of our trade facility and has committed a considerable amount of resource to that trade-facilitation process concentrated on SMEs," Baroness Scotland said following the discussions. Indian Commerce Secretary also spoke of India's focus on trade facilitation in services, which aims to ease the short-term movement of professionals and skilled workers, and efforts to help some less developed countries link into its own value chains. **~FIEO**

## INDIA, RUSSIA DISCUSS FREE TRADE PACT

India and Russia agreed to increase bilateral trade through a proposed Free Trade Agreement (FTA) and implement the International North South Transport Corridor for increasing bilateral trade. Negotiations are going on for an FTA between India and the Eurasian Economic Union that includes Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan, said Minister for Commerce and Industry. The FTA issue was discussed during her talks with Russian Minister of Industry and Trade in Chennai. The investment treaty between India and Russia is also being looked at afresh, she said at the inaugural function of the sixth edition of International Engineering Sourcing Show (IESS). Indian Prime Minister and Russian President had set a target of achieving bilateral trade of \$30 billion by 2025 from \$6.3 billion now. To achieve that target, there is lot of work to do. Indian manufacturers need to find new markets in Russia, and Russian manufacturers can look at more joint ventures in manufacturing in India and partnerships to set up businesses both in Russia and India, Indian Commerce Minister said. Commerce Minister said an Indian delegation will visit Moscow in April to discuss the revised investment treaty. Foreign Direct Investment from Russia is estimated at \$1.2 billion while Indian investment in Russia is around \$4.9 billion. India invited Russia to be the 'Partner Country' for the India International Jewellery Show 2017 to be held in July in Mumbai and Advantage Healthcare India to be held in October in Delhi or Mumbai. **~FIEO**

# INDIA REFUSES CANADA'S PROPOSAL OF SIGNING INVESTMENT DEAL BEFORE FREE TRADE PACT

Disagreement between India and Canada over the sequencing of the bilateral investment treaty and the free trade agreement being negotiated could hold up both pacts if neither side relents. While the Canadian international trade minister, in his recent visit to New Delhi, insisted that the investment pact — formally called the Foreign Investment Promotion and Protection Agreement (FIPPA) — be signed first, Indian counterpart, Commerce Minister was not willing to fall in line, a government official said. "The Indian negotiators clearly told the Canadians that both agreements have to be agreed upon simultaneously as only that would result in a balanced outcome," the official said. The Comprehensive Economic Partnership Agreement (CEPA), which involves liberalisation of trade in goods and services by bringing down tariffs and investment barriers, also has a separate chapter on investments, but a FIPPA exclusively focuses on investments. The proposed FIPPA between the two countries will basically aim to protect Canadian investments in India and help them establish commercial presence which is covered under mode 3 of supply of services, the official explained. India, on the other hand, is more interested in the other modes of services related to movement of professionals and cross border trade which are covered under the CEPA. "It would be unfair to conclude an agreement in one mode in the form of the FIPPA while leaving the modes of supplies India is interested in by postponing the CEPA. It might result in India not getting a good deal," the official said. Canadian International Trade Minister, in an interview during his visit, had said that investors from his country, including pension funds were uncomfortable in the absence of a FIPPA and felt that it was restricting the scope and volume of investments. He stressed that since the FIPPA was a simpler agreement, it should be signed first while the CEPA could follow. Rejecting the argument, Commerce Minister said that New Delhi would try its best to expedite negotiations so that both pacts get signed at the earliest. "Simple or not, the fact remains that the two agreements are inter-connected. Therefore, it is imperative that they get concluded together," the official said. A Canadian investment in India is progressively increasing with over $12 billion of investments pouring in from Canadian companies in the

last two years alone. With an outward investment of over $750 billion in 2015, the country holds huge potential for India as a source of funds.
**~FIEO**

## EXPORT BASED ON WORLD DEMAND, NOT DOMESTIC SUPPLY: GOVERNMENT

India needs to rethink on which export items it should focus, says a report authored by a senior advisor in the finance ministry. The author, H A C Prasad, senior economic advisor, says these are his views, not of the ministry. “In 2015, India’s export share in the top 100 world import items at four-digit HS level were more than five per cent in only five items,” says the report. In Value terms, only 1.6 per cent. These include petroleum oils, diamonds and jewellery, sensitive to small price rises in the production or distribution phases. “Similar is the case in different important markets like the US, EU, Japan, etc. Our focus (has been) on exporting what we can (or supply based). We have to shift to items for which there is world demand and we also have basic competence,” says the report. Rising for a fifth straight month, merchandise exports grew by 4.3 per cent in January, after a 5.7 per cent rise in December. Exports were $22.1 billion, after reaching a 21-month high in absolute terms in December to $23.9 bn. Before the rise, outbound trade had fallen for 21 continuous months. “We are expected to reach around $270 billion this fiscal,” says President, Federation of Indian Export Organisations. Experts (FIEO), however, advise caution. Rising protectionist measures globally had resulted in international trade growth estimates by the World Trade Organization falling to a range of 1.8-3 per cent for 2017. Earlier, it had revised its estimate for growth in 2016 to 1.7 per cent, slowest since the financial crisis of 2009. India’s share in world exports is miniscule, at 1.6 per cent in 2015; China’s was 13.8 per cent. The report targets a five per cent share in the medium term. “For this, exports should reach $882 bn by 2020, which means the export growth rate needs to be around 27 per cent compounded annually (CAGR) in the five years (2016-2020), assuming global growth continues at the present CAGR of 1.5 per cent (2010-15).” India had achieved growth rates higher than this in 2004-05 (30.8 per cent) and in 2010-11 (40.5 per cent), it recalls. On this note, the report still makes a pitch for reducing of tariffs. “With the present global situation it might not look like the right time to suggest this (but) a lot of rationalization can be done. India's average MFN (non-discriminatory)-applied tariffs are relatively higher than other emerging economies and particularly all the BRICS economies except Brazil. India's bound tariffs are higher than all these countries," it says. Also, it asks the government to look at streamlining of export promotion schemes in the wake of the goods and services tax (GST) regime coming into action. GST will replace many current taxes linked to imports. The duty drawback schedule needs to be reworked, as it will be mainly basic customs duty which needs to be rebated; GST has an input tax credit system. Although exports would be zero-rated, promotion schemes would also have to be reformulated. "For example, with the lowering of duties for capital goods over the years, the relevance of the EPCG scheme has become less," it says. **~FIEO**

## FIEO LOOKING AT EXPORT FRIENDLY MEASURES TO SUSTAIN GROWTH RATE

Buoyed by last month's double-digit export growth, the Federation of Indian Export Organisations (FIEO) is looking at more export friendly measures to sustain the growth rate in a challenging global environment. "Govt has to look into the exchange rate closely to maintain the growth rate on account of the fact that the rupee is all set to appreciate against major currencies and it will affect India's export competitiveness," Director General and CEO, FIEO said. Asked whether FIEO has suggested any exchange rate support measures, DG & CEO, FIEO said: "Since rupee is expected to appreciate as compared to our competitors' currencies, the government may provide additional incentives to exporters to offset losses on exchange front." FIEO, said the government needs to look into the Interest Equalizations Scheme for merchant exporters, who continue to contribute 30 per cent of the country's exports. At present, only manufacturers are availing themselve of this benefit and it should be extended to other sectors as well, it said. On the achievement of 17 per cent growth rate in February, DG & CEO, FIEO said that this is for the first time that the country has achieved a double-digit export growth after more than three years, thanks to firming up of commodity and metal prices. "The trends are very encouraging especially at a time when major competitors like China, Thailand, Japan posted a negative growth", FIEO said.

## ENGINEERING EXPORTS MAY REACH OVER $60 BILLION THIS FISCAL: COMMERCE MINISTER

The country's engineering exports are likely to reach over $60 billion during the current financial year on the back of revival of demand in the US, Commerce Minister said. During April-January period of 2016-17, the engineering exports have touched $50.87 billion, exceeding the total shipments of $49 billion in 2015. "India's engineering exports are likely to reach $60+ billion in fiscal 2016-17, on the back of revival of demand in the USA and for select products like iron," an official statement quoting the minister said. Commerce Minister was speaking at the International Engineering Sourcing Show (IESS) in Chennai. Russia is the partner country for this event. Further, Minister said that the ministry is engaged in a key initiative for technology upgradation of engineering manufacturers for boosting exports. "This is being attempted by bridging the gap between leading R&D labs and industry for the development of cutting edge export-oriented technologies," Minister added. The ministry has identified important industrial clusters, where it is interacting with stakeholders and identifying technology gaps which can be filled by research labs/academic institutions. "The cutting edge technology would then be shared with the industry to enable them to match the best products in the world," Minister said.

**~FIEO**

## REVIEW OF EXPORT FROM INDIA TO NEPAL

As per an Office Memorandum, dated 01st March, 2017 from Department of Commerce, a review of the export from India to Nepal reveals that the certain categories of Indian products such as, herbal products, Pashmina shawls and readymade garments, Readymade leather goods such as shoes, etc., Ayurveda medicine, woolen carpets hold great export potential due to their quality and low price. Member exporters of these categories of products may please take appropriate action to increase the exports of the said products to Nepal. Any impediment in the increase of export may be brought to the notice of FIEO for taking up with the Department of Commerce.

**~FIEO**


## US FED RAISES BENCHMARK INTEREST RATE A QUARTER POINT

The US Federal Reserve raised the benchmark interest rate a quarter point, noting that inflation is moving closer to the central bank's two percent target. But in announcing the first move since President Donald Trump took office in January, the Fed gave no hint that rates might have to rise more quickly if the White House pushes through its pro-growth policies, including tax cuts and spending programs. The Fed's policy-setting Federal Open Market Committee (FOMC) voted to raise the key federal funds rate to a range of 0.75—1.0 percent. There was one dissenting voice. "Inflation has increased in recent quarters, moving close to the Committee's 2 percent longer-run objective," the FOMC statement said, while also noting that "the labor market continued to strengthen" amid solid job gains, and that "economic activity has continued to expand at a moderate pace." The FOMC once again said it expects those economic improvements to continue with only "gradual adjustments" in the policy interest rate, although Fed Chair has cautioned that policies that boost the pace of economic growth could prompt the Fed to raise rates faster. In its quarterly economic projections, the central bankers still see the federal funds rate rising to 1.4 percent by the end of the year, which would imply another two increases, unchanged from the previous forecast. They see the benchmark rate rising to 2.1 per cent next year, the same as in the December Summary of Economic Projections (SEP), which would mean another two rate hikes in 2018. The Fed last acted in December when it adopted only its second interest rate increase in a decade, but it has repeatedly cited the uncertainty surrounding economic outlook while details of Trump's economic policy program remain scarce.

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## INDIA STRONG ENOUGH TO ABSORB US FED RATE HIKE: GOVERNMENT

The Indian economy is strong enough to absorb the impact of the US Federal Reserve's interest rate hike, the government said. "Indian markets well placed to absorb US Fed rate hike. Gradual approach in future increases augurs well for emerging markets," India's Economic Affairs Secretary ( EAS) said in a tweet, a day after the US Fed hiked lending rates for the third time since the 2008 global financial crisis, with the American job market strengthening and the control of inflation rising toward its target. According to analysts, a US Fed rate hike of 25 bps could set off capital outflows from emerging market economies like India with large external funding needs and macro-economic imbalances, thereby increasing their vulnerability. "Emerging market economies with large external funding needs and macro-economic imbalances could be vulnerable to capital outflows," Moody's Investors Service has said in a report. "The most direct impact will be felt in those economies that have high external financing needs relative to their foreign exchange earnings and reserves," the report said. "For instance, in some cases a pronounced currency depreciation could lead to higher inflation, which, along with the threat of sustained capital outflows, could force central banks to raise interest rates," it said. The US Fed slashed rates to zero in 2008 in the wake the financial crisis and kept it at that level throughout the period of major economic slowdown that followed. India is currently seen as being better equipped than other emerging markets to ride the impact of higher US interest rates because of its stronger economic growth and impressive foreign exchange reserves of more than $300 billion.

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## RETAIL INFLATION INCREASES TO 3.65 PER CENT IN FEB, WPI AT 6.55 PER CENT

Firmer food and fuel prices drove India's overall inflation higher in February, further dimming any possibility of a cut in interest rate by the Reserve Bank of India amid worries of hardening global commodity prices and expectation of vegetables turning dearer as summer approaches. India's headline inflation rate based on the Consumer Price Index (combined) went up to was 3.65 per cent in February compared with 3.17 per cent in January and 5.26 per cent a year ago, data released by statistics office showed. Data released by the commerce and industry ministry showed India's wholesale inflation firming up to a 39-month high of 6.55 per cent in February from 5.25 per cent in January. The increase in prices may weaken the case for an immediate interest rate cut by the RBI, which had kept lending rates unchanged at the last review in February, citing risks to inflation. The next meeting of the monetary policy committee is scheduled for April 5-6. The inflation numbers came after industrial production bounced back to expand in January, kicking off the financial year's last quarter on a positive note albeit amid expectations that it will bear the brunt of demonetisation. The Central Statistics Office has projected economic growth at 7.1 per cent for 2016-17, compared with 7.9 per cent in 2015-16, owing to expected fallout of demonetisation on consumption demand during the second half of the fiscal. Consumer inflation had touched its lowest level in at least five years in January. In the wholesale basket, food inflation firmed up to 2.69 per cent in February from a 0.56 per cent fall in January as the fall in onion prices inflation reduced to 18.85 per cent during the month, compared with

28.86 per cent lower in the last month. CPI food inflation firmed up to 2.01 per cent in February from just 0.61 per cent in the previous month. Inflation in fruits was higher at 8.33 per cent, fuel and light at 3.9 per cent in February.

~FIEO

## SET UP INDEX TO MONITOR SERVICES INFLATION: PARLIAMENTARY PANEL TO GOVT

The inflation data currently fails to capture the ground reality, a Parliamentary panel has said, asking the government to come up with a separate price index for the services sector so as to reflect the rising costs in areas such as healthcare and education. Although services account for around 60 per cent of the country's economy, they are neither captured fully by the Wholesale Price Index (WPI) based inflation nor the Consumer Price Index (CPI), which reflects the rate of price rise at retail level. The standing Committee on Finance, headed by Congress leader Veerappa Moily, has said that accurate data on services inflation is crucial for understanding relative price movements as also inter-sectoral terms of trade. Besides, it observed that entertainment, transportation and the like are mostly privatised, and costs may be rising "disproportionately higher" than what is being captured in the CPI or retail inflation. The panel said that sectoral regulators need better data on prices, production and quality of services to act in the consumer interest. "Accurate data on services inflation is crucial for understanding relative price movements, particularly since the services sector accounts for over half the GDP," it said in its report tabled in Parliament. "The Committee would, therefore, recommend a separate and distinct index namely, Business Service Price Index, which will accurately factor in and reflect the rising costs of different services in the economy, enabling the government to tailor their policy responses accordingly," it added. The Reserve Bank, it further said, has shifted its focus from wholesale prices to retail inflation while determining its monetary policy because WPI did not include services in its basket. However, the rising cost of education, healthcare, entertainment and transportation do not get fully reflected even in CPI, it added. As per government data, retail inflation rose 3.65 per cent in February, year-on-year, as food inflation quickened. The rates at the wholesale level also soared to 39-month high of 6.55 per cent.


## NEED TO REVIVE BIOPIRACY TALKS AT WTO: COMMERCE SECRETARY

Calling for a global regime to stop misappropriation and reckless patenting of traditional knowledge, commerce secretary emphasised on the need to revive discussions on bio piracy at the World Trade Organisation to counter the practice of commercially exploiting natural products by obtaining patents while failing to fairly compensate the communities from which these originate. "Effective international regime will create certainty of access for users, including MNCs and the developed countries, while also ensuring against patenting of existing knowledge," Commerce Secretary said at an event organised by the Centre for WTO Studies at Indian Institute of Foreign Trade. Commerce Secretary said there is an urgent need to revive discussions on the linkages between intellectual property rights and the Convention on Biodiversity (CBD) at the WTO since there is asymmetry between the benefits earned by companies that commercially exploit products derived from traditional knowledge and benefits for traditional knowledge holder along with misappropriation or bio piracy. Attempts to patent medicinal properties of neem, turmeric and ashvagandha in Europe and the United States are examples of the adverse effects that a patent monopoly over traditional knowledge can have on indigenous communities that hold such knowledge. The issue has receded to the background in recent years. Despite the Doha Declaration mandating the TRIPS (Trade-Related Aspects of Intellectual Property Rights) Council at the WTO to examine the TRIPS-CBD linkages, discussions appear to have halted in 2011. **~FIEO**

## POULTRY ROW : INDIA ASKS US TO WITHDRAW $450-MILLION WTO FINE DEMAND

India has demanded that the US withdraw its plea at the World Trade Organization (WTO) seeking authorisation to impose a retaliatory fine of $450 million annually on the country as it is now fully compliant with the dispute panel's orders on removal of restrictions on poultry imports. "In view of the fact that India has brought itself into conformity with the recommendations of the DSB (Dispute Settlement Body), India would urge the United States to terminate the proceedings in this dispute," said a submission by India to the DSB recently. The poultry import dispute took a turn for the worse last July when the US sought retaliatory action in the form of a $450 million annual fine on India for harming its trade interests by failing to comply with a WTO ruling within the given time frame. The WTO had ruled the year before that India's ban on poultry imports from the US and other members to protect itself from low-pathogen avian influenza (bird flu) did not have a scientific justification. India was asked to make its laws WTO compliant. "India issued in July 2016 the notification that it had adopted measures necessary to comply with the recommendations of the DSB. Pursuant to bilateral discussions with the US, India amended its notification in September 2016, clarifying the concerns of the United States," the submission stated. The lifting of import restrictions by India could open the country's doors to cheap chicken legs from America and hit the local industry. According to industry estimates, the US could potentially take away 40 per cent of the market of domestic breeders, who produce 3.5 million tonnes of chicken annually. Per the old rules, India would stop importing poultry from the entire country when there was the slightest outbreak of bird flu in any part, however remote, and even if the virus was of a low strain. Under the revised rules, India has given recognition to the concept of disease-free areas and areas of low pest or disease prevalence. This means supply of poultry can continue from a disease-free area in a country even if the disease is prevalent in another part of that country.

**~FIEO**


## Indian Steel mills reversing import glooms with export thrust

India is ready to be a net exporter of steel for the first time in about four years, reversing a trend that saw national mills fighting a flood of cheap imports, according to the Indian Steel Association.
Mr Sanak Mishra, the association's secretary-general said, this is very effective evolution and it would show that Indian steel industry can compete globally in terms of quality and prices. India's production is anticipated to reach 100 million metric tonnes in the fiscal year because of the big producer's missions more capacity and gaze at boosting exports.
Attracting by a rebound in global product prices, Steel Mills including JSW Steel Ltd and Steel Authority of India Ltd are depending on the export market to soak up excess inventories after boosting output in the prediction of Prime Minister Narendra Modi's infrastructure push.
According to Steel Ministry data, Exports streamed almost 78% in 11 months to February to 6.6 million tonnes, while Imports dropped by 39% to the same figure. Output jumped 11% to 92 million tonnes in middle of consumption growth of 3.4% to 76.2 million tonnes.
It's a sharp disparity a year ago when India was overrun with cheaper supplies from China who is the biggest manufacturer and supplier, with the country importing record 11.7 million tonnes in 2015-2016
Top producer Sail aims to double exports next fiscal year, it exported 682,000 tonnes in April-February, Exports from JSW Steel are 26 % of sales in July-December.
SAIL shares closed at Rs. 63.50 down by 0.24% on Friday, whereas JSW closed at Rs.192.30 down by 0.08% and Tata Steel rose by Rs. 501.50 up by 0.37 %

## Indiainfoline

## India's onion exports set to hit 30 lakh tonnes mark, ink all-time record

The country is likely to register the highest record for export of onions and may cross the 30 lakh tonnes mark soon this season. So far, the highest exports of onion have not gone beyond 18 lakh tonnes but this time the exports from India are very healthy, thanks to a stability in policies, senior officials of the Maharashtra State Marketing Board said.

As per the figures available on the National Horticultural Research & Development Foundation (NHRDF), the country has crossed the export figure of 23.998 lakh tonnes from April 2016 to December 2016. As per Agricultural and Processed Food Products Export Development Authority (APEDA) records, the export figures for the nine month period April 2016 to December 2016 is around 16.56 lakh tonnes.

According to senior officials of National Agricultural Cooperative Marketing Federation (NAFED), the figures of January, February and March 2017 are yet to be released and if these are taken into account, alongwith the bumper crop and large arrivals in the market, the figure should easily cross around 30 lakh tonnes.

MSAMB officials maintain that the export figure of the country is likely to cross the 22 lakh tonnes mark. Maharashtra accounts for 80% of the country's production and exports as well, Nanasaheb Patil, director, NAFED and chairman, Lasalgaon Kharedi Vikri Sangh said.

According to him, both the Maharashtra and central governments deserve credit for three major decisions which helped the onion crop. These include the decision to remove Minimum Export Price (MEP), extending Merchandise Exports from India Scheme (MEIS) for onion until March 31, 2017, and giving more railway rakes to ship onion.Usually, every country exports some 10-12 lakh tonnes of onion but these policies helped Indian exporters and we got an edge in international markets, he said. "This is for the first time that the MEP has remained at zero levels for one year and a quarter. At no point has the policy with regard to MEP remained for more than 3 months.

MEP was kept at zero since December 2015. Earlier it used to fluctuate and it affected exports. Importing countries usually look for quality and steady supply and this time India could offer both," he pointed out, adding that the MEIS scheme also helped. By November 2016 exports had touched 20 lakh tonnes.

By March 2017 about 30-40 lakh tonnes extra onion is likely to be exported, Patil stated.MEIS under Foreign Trade Policy of India (FTP 2015-20) is a 5% incentive given on export of onion. This subsidy has helped exporters to purchase onion for exports and keep prices stable in the markets. Earlier, the scheme deadline was December 2016 but chief minister Devendra Fadnavis lobbied intensively with the Centre for extending the scheme until March 31, 2017.

With a bumper harvest of 'red' variety onion crop, the Agriculture Produce Market Committee (APMC) yards in Nashik are flooded with onion and prices remain low. On Thursday, arrivals at Lasalgaon — the country's largest wholesale market for the bulb was around 23,000 quintals with the minimum price at R300 per quintal and maximum at R635 per quintal to average at R500 per quintal. Arrivals were 18,000 quintals the earlier day and 26,000 quintals on Tuesday.

According to MSAMB officals, there has been a record plantation this season as well which has resulted in bumper crop because of a good monsoon. The area under Kharif was around 0.63 lakh hectares in 2015-16 and 0.60 lakh hectares in 2016-17, in late Kharif it was 1.29 lakh hectares in 2015-16 and 0.82 lakh hectares in 2016-17 and Rabi it was 3.30 lakh hectares in 2015-16 and 3.21 lakh hectares in 2016-17.

While the area may not have increased much, productivity increased because of good rains. The state's total Rabi onion production alone is 50 lakh tonnes. India mainly exports to the Middle East, Gulf, Bangladesh, Malaysia, Singapore, Nepal, Sri Lanka, Qatar. India is also the world's second largest exporter after China.

## Financial express

## Rising output costs hits Textile export

Textile export contracted in calendar year 2016 for a consecutive year, due to weak global demand and India's losing competitiveness.

Data from the ministry of textiles shows a five per cent fall to $34.9 billion (Rs 2.3 lakh crore) for calendar 2016, from $36.7 bn in 2015.

In September 2016, the central government announced a Rs 6,000-crore package to boost Textile export. This was on recommendations from the industry, and a commitment from it to raise annual export to $50 bn and create 100,000 new jobs.

"Textile demand remained sluggish, following uncertainty in globally economy. And, India has been losing its competitiveness to China, due to almost flat (rise in) cost of production there and depreciation in their currency. In contrast, the cost of production had increased sharply in India over the past year. Additionally, the rupee has appreciated around five per cent. So, India's receivable export proceeds have declined proportionately," said Rahul Mehta, president, Clothing Manufacturers' Association of India.

According to trade sources, the past year has seen a 25-30 per cent jump in apparel production's labour cost. Since labour is a major component of the overall cost, this rose proportionately. And, while the Chinese yuan weakened by nine per cent over the year, the rupee rose against the dollar by five per cent.

"Overall, therefore, India's textiles and apparel export are estimate to remain flat in calendar 2017, as the benefits offered by the government are negated by a sharp increase in the cost of production and appreciation in the rupee," said Mehta.

Rating agency ICRA says the global apparel trade remains under pressure, having contracted in 2016 for another year, with subdued demand in key importing countries. While volume growth was marginally positive, primarily aided by a recovery in demand from Europe, realisations fell. The latest trends point to a modest recovery in calendar year 2017.

"India's apparel export grew a tepid one per cent (in dollar terms) for a second year in FY17. This trend, however, needs to be looked into in conjunction with the decline in global apparel trade in value terms," said Jayanta Roy, senior vice-president at ICRA.

The pace of growth for other Asian apparel exporters Bangladesh, Cambodia, and Vietnam has also moderated during these two years, though their growth was better. Scrapping of the proposed Trans Pacific Partnership (TPP) has weakened the prospects for Vietnam, which augurs well for India.

Given the weak trend in global trade, home market-focused apparel makers are expected to do relatively better than exporters in FY17. However, given the temporary pressures observed in domestic consumption, owing to demonetisation, the gap in growth rates is likely to be narrower.

Subdued offtake by apparel makers, in addition to meagre fabric export, continue to weigh on fabric demand. The country's fabric production was tepid in April-September 2016, first half of this financial year, with modest growth of two per cent, after a flat trend in FY15. Demonetisation added to the challenges faced by this fragmented and unorganised segment, seen in a six per cent fall in fabric production during the December quarter. This is expected to hit total output in FY17, which might see a one per cent fall.

**Business-standard**

# Useful links

http://www.capexil.com/

CAPEXIL, a non-profit making organization, was setup in March 1958 by the Ministry of Commerce, Government of India to promote export of Chemical and Allied Products from India. And since then has been the voice of Indian business community. With the headquarter at Kolkata, and regional offices at New Delhi, Mumbai, Kolkata and Chennai, CAPEXIL has more than 3500 members across the country. One of the fascinating aspects of CAPEXIL is the overwhelming variety of products it deals with.

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Indian Institute of Export Management